



ECONOMIC INDICATORS

CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: July 10, 2014

IN THIS ISSUE.....

- Norfolk's unemployment rate (not seasonally adjusted) was 6.9 percent in May, which was 0.9 percentage point above last month (April 2014) but was below last year's rate by 0.1 percentage point (May 2013). (See page 1)
- Virginia's nonfarm employment (not seasonally adjusted) rose slightly year-over-year in May by 0.25 percent (9,500 jobs) to 3,785,500 jobs from 3,776,000 jobs last year (May 2013). Also, April employment was revised upwards to 3,770,000 jobs (not seasonally adjusted) which is up 0.05 percent (1,800 jobs) from last year, compared to the preliminary report of a 0.02 percent (600 jobs) decline. (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) fell year-over-year in May for the 5th straight month by 0.22 percent (1,700 jobs) to 754,200 from 755,900 last year. (See page 2)
- Through May, the average sales price of homes sold in Hampton Roads rose slightly by 0.4 percent, to \$225,429 from \$224,640 last year. (See page 3)
- In Norfolk, the average sales price of homes sold through May fell 1.7 percent, from \$185,879 last year to \$182,672. The decline in the average sales price occurred mainly in existing homes sold year-to-date through May. (See page 3)
- Through May, the number of housing units permitted in Norfolk rose by 77 units to 393 units from 316 units permitted during the same period last year. At least half of the units permitted to date were due to converting office buildings to apartments. (See page 4)
- Through May, Norfolk sales taxes were up 1.8 percent (or \$470,000). However, adjusting for the correction of an overpayment to Norfolk last year by the Virginia Department of Taxation, sales taxes were down 1.5 percent. (See page 5)
- Real GDP fell at an annual rate of 2.9 percent (second estimate) in the first quarter of 2014. This was the largest decline in real GDP since the first quarter of 2009. (See page 6)

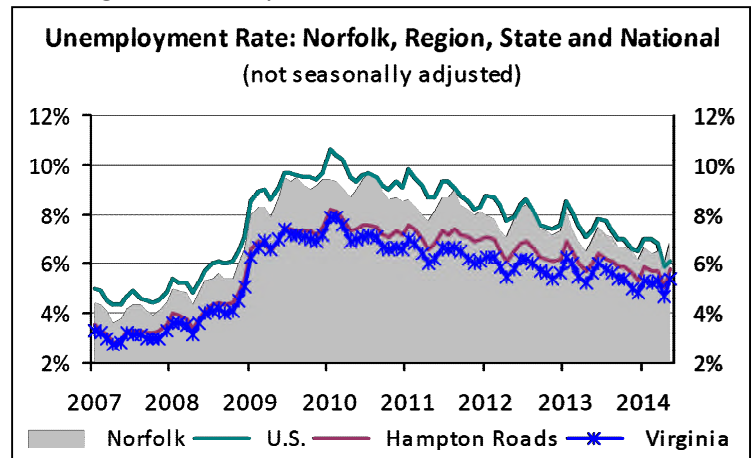
Residential Employment

Hampton Roads and State Unemployment Rate (not seasonally adjusted)

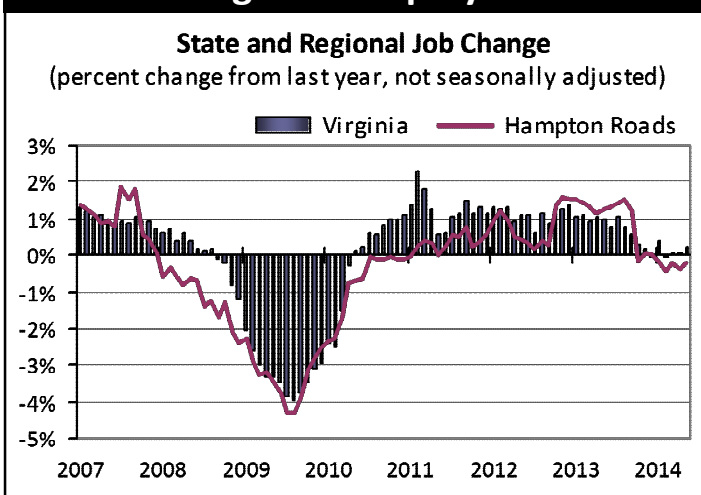
	May 2014*	April 2014	May 2013	10-Year Average
Norfolk	6.9%	6.0%	7.0%	6.5%
Chesapeake	5.4%	4.6%	5.8%	5.0%
Hampton	6.6%	6.0%	6.7%	6.1%
Newport News	6.3%	5.9%	6.3%	5.9%
Portsmouth	7.0%	6.5%	7.5%	6.7%
Suffolk	6.4%	5.5%	6.2%	5.4%
Virginia Beach	5.1%	4.5%	5.4%	4.6%
Hampton Roads	5.8%	5.1%	6.0%	5.3%
Virginia	5.4%	4.7%	5.6%	5.0%

Norfolk's unemployment rate (not seasonally adjusted) stood at 6.9 percent in May, which was 0.9 percentage point above last month's rate (April 2014, 6.0 percent). The Virginia Employment Commission indicated "the unadjusted unemployment rate usually increases from April to May as college graduates and students enter the labor market seeking employment." Compared to last year (May 2013), Norfolk's rate fell 0.1 percentage point, as the number of unemployed residents rose only slightly by 8 (0.1 percent), while the Norfolk labor force and number of employed residents grew by 1,473 (1.4 percent) and 1,465 (1.5 percent), respectively. Norfolk's rate was above the national rate of 6.1 percent (not seasonally adjusted).

The unemployment rate for the state, region and the major cities neighboring Norfolk followed a similar trend, except Suffolk and Newport News where the rate was up or was unchanged from last year.



State and Regional Employment



Statewide nonfarm employment (not seasonally adjusted) rose slightly year-over-year in May by 0.25 percent (9,500 jobs) to 3,785,500 jobs from 3,776,000 jobs last year (May 2013). Also, April employment was revised upwards to 3,770,000 jobs (not seasonally adjusted) which is up 0.05 percent (1,800 jobs) year-over-year, compared to the preliminary report of a 0.02 percent (600 jobs) decline. The increase in statewide employment in education and health services and retail and wholesale trade more than offset the decline in statewide employment in professional and business services and federal government (not seasonally adjusted).

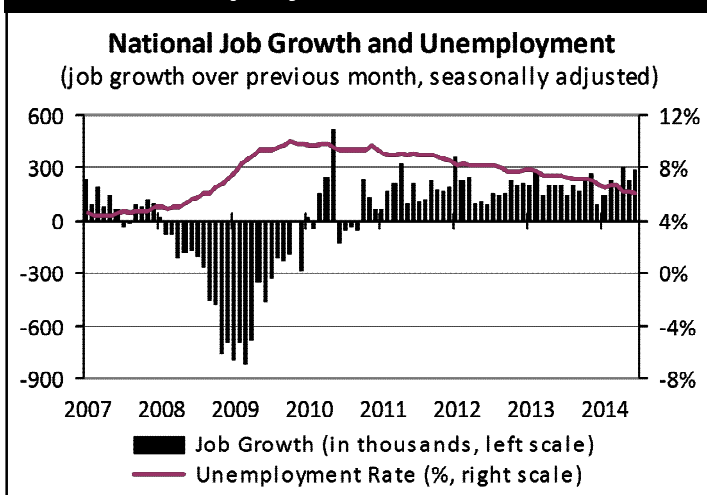
Hampton Roads nonfarm employment (not seasonally adjusted) fell year-over-year in May for the 5th consecutive month by 0.22 percent (1,700 jobs) to 754,200 from 755,900 last year. Among the major industries, professional and business services and federal government had the largest decline in employment.

May Job Change in Select Industries

(not seasonally adjusted¹; job changes are from previous year)

	Hampton Roads ²	Virginia ²
Construction	-2,000	-1,600
Manufacturing	-300	-700
Trade (Retail and Wholesale)	3,000	7,100
Transportation and Utilities	-200	-800
Information	-400	-900
Financial Activities	-400	2,300
Professional and Business Services	-3,000	-14,600
Educational and Health Services	3,900	19,000
Leisure and Hospitality	-100	-500
Government	-2,200	-2,800
Federal Government	-2,200	-5,300
State Government	0	1,200
Local Government	0	1,300

National Employment



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) increased by 288,000 jobs in June. With the combined net upward revision of April and May employment by 29,000 jobs, the number of jobs added through the first half of the year was 1,385,000 jobs (or an average of 231,000 jobs per month). Although the job gains year-to-date have been mostly in the private sector, the public sector is gaining jobs, particularly in local and state government. Since February 2010, when total employment was at its lowest level, the economy has added about 9.1 million jobs, surpassing the 8.7 million jobs lost (revised) from January 2008 to February 2010. In June, the seasonally adjusted unemployment rate fell to 6.1 percent from 6.3 percent in May. This was the lowest rate since September 2008.

National Job Change by Industry

(seasonally adjusted; May/June growth are from previous month)

	May 2014 ²	June 2014 ³	2014 YTD ³
Mining & Logging	2,000	4,000	25,000
Construction	9,000	6,000	139,000
Manufacturing	11,000	16,000	68,000
Trade/Transportation/Utilities	38,000	72,000	248,000
Information	-12,000	9,000	-17,000
Financial Activities	8,000	17,000	43,000
Professional/Business Services	58,000	67,000	375,000
Educational/Health Services	62,000	38,000	220,000
Leisure and Hospitality	45,000	39,000	207,000
Other Services	3,000	-6,000	23,000
Government	0	26,000	54,000
Federal Government	-2,000	2,000	-23,000
State Government	-4,000	2,000	1,000
Local Government	6,000	22,000	76,000
Total Job Growth	224,000	288,000	1,385,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. ² Preliminary. ³ Revised.

Regional Housing Market

Jan.—May Home Sales	Housing Units Sold		Average Days on Market	
	2013	2014	2013	2014
Hampton Roads	8,215	7,738	95	87
Norfolk	1,022	966	95	83
Chesapeake	1,321	1,213	80	74
Hampton	535	520	98	103
Newport News	691	665	106	100
Portsmouth	474	486	103	93
Suffolk	487	509	99	95
Virginia Beach	2,360	2,140	81	73

Average Residential Sales Price: January - May			
Area	2014	2013	% Change
Hampton Roads	\$225,429	\$224,640	0.4%
Norfolk	\$182,672	\$185,879	-1.7%
Chesapeake	\$239,061	\$234,858	1.8%
Hampton	\$147,800	\$143,553	3.0%
Newport News	\$157,266	\$160,845	-2.2%
Portsmouth	\$127,303	\$119,396	6.6%
Suffolk	\$227,642	\$232,666	-2.2%
Virginia Beach	\$276,118	\$274,530	0.6%

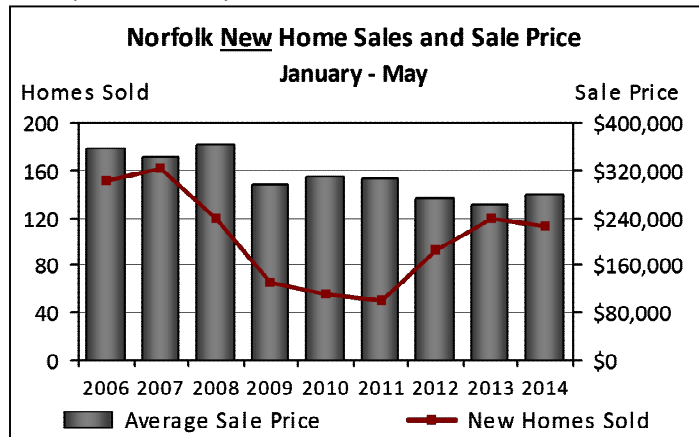
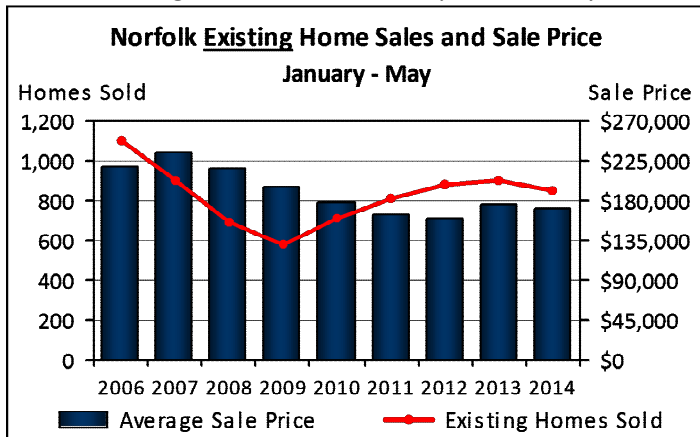
The Real Estate Information Network (REIN) reported the average sales price of homes sold in Hampton Roads from January through May was 0.4 percent above the same period last year. Among the seven major cities of the region, only Newport News, Norfolk and Suffolk had a decline in the average sales price of homes sold year-to-date in 2014 compared to the same period last year (January—May 2013).

The number of homes sold in the region year-to-date through May fell 5.8 percent from last year. REIN indicated home sales in the region declined year-over-year in May for the 5th straight month. Almost all the seven major cities in the region had a decline year-to-date, except in Portsmouth and Suffolk where home sales rose 2.5 percent and 4.5 percent, respectively, from last year. Home sales for the region as a whole may continue to decline in the short term, with REIN reporting a 1.8 percent decline in the region's residential pending sales (homes under contract). On a positive note, REIN reported a 9.54 percent increase in residential active listings (homes for sale), which should support home sales in the near term, and a decrease in the percentage of active listings that are distressed. Distressed listings accounted for only 17.97 percent of homes for sale, which according to REIN is at a four-year low. Also, the percentage of homes sold that are distressed fell to 21.26 percent, down from 26.25 percent last year.

Norfolk Housing Market

The number of existing homes sold in Norfolk year-to-date through May fell 5.3 percent (48 homes) from the same period last year. Sales of both attached and detached homes have declined year-to-date through May. New home sales also declined by 6.6 percent (8 homes) and like existing homes, new attached and detached home sales both fell.

The average sales price of existing homes sold fell 3.4 percent to about \$169,900 from \$175,800 last year. The decline reflected an increase in the percentage homes sold for \$200,000 and below from about 70.4 percent last year to 72.3 percent this year. However, unlike existing homes, the new homes sold year-to-date had an increase in the average sales price of 6.4 percent from \$262,200 last year to \$279,100, although the increase was mainly due to the average sales price of new detached homes. The increase reflected a greater percentage of new homes sold priced in the \$300,000 range and above from 16 percent last year to about 20.4 percent this year.



Source: Real Estate Information Network (REIN)

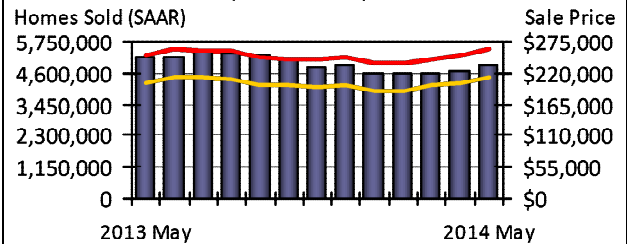
National Housing Market

Existing home sales nationwide rose 4.9 percent in May to a seasonally adjusted annual rate (SAAR) of 4.89 million from the previous month's (April 2014) revised rate of 4.66 million. The National Association of Realtors (NAR) indicated this was the 2nd straight monthly increase, and the decline in home sales seen since July 2013 may be over. Existing home sales however were down 5.0 percent from the previous year's rate of 5.15 million.

New home sales also rose in May to 504,000 (SAAR), which was above both the previous month's rate of 425,000 by 18.6 percent and the previous year's rate of 431,000 by 16.9 percent. This was the highest rate since May 2008 when new homes sales also last stood at 504,000 (SAAR). The average sales price of both existing and new homes sold in May rose by 3.8 percent and 1.7 percent, respectively, from last year to \$260,700 and \$319,200. NAR indicated job creation and new home construction (rising inventory) will be needed to offset the negative impact rising interest rates and home prices will have on home sales.

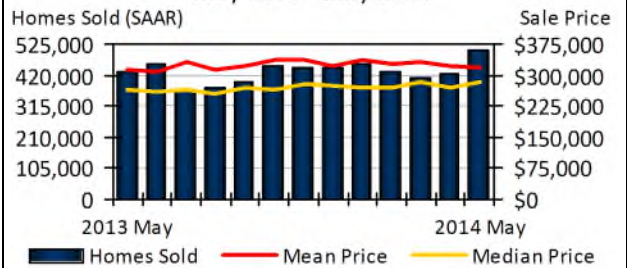
Existing Home Sales and Sale Price

May 2013 - May 2014



New Home Sales and Sale Price

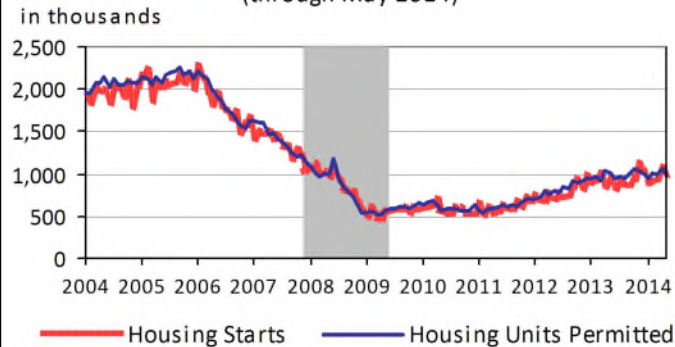
May 2013 - May 2014



National New Residential Construction

National Housing Starts and Building Permits

(through May 2014)



The Census Bureau reported privately-owned housing units authorized by building permits in May fell 6.4 percent to a seasonally adjusted annual rate (SAAR) of 991,000 from the revised rate of 1,059,000 in April. The decline was mainly due to units permitted in multi-family structures. Housing units permitted were also down 1.9 percent from last year's 1,010,000 rate (May 2013). Single and multi-family housing permits both fell year-over-year.

Privately-owned housing starts in May were also down 6.5 percent to 1,001,000 (SAAR) from April's revised 1,071,000 rate. The decline was due to both single and multi-family housing starts. However, compared to last year, housing starts were up 9.4 percent from the May 2013 rate of 915,000. Single and multi-family housing starts both increased from the previous year.

The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is "completed" when all finished flooring has been installed or at the time of occupancy.

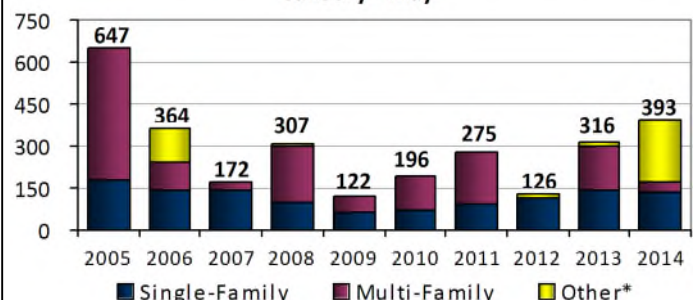
Source: National Association of Realtors (NAR), U.S. Census Bureau, and City of Norfolk Department of Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

Norfolk Residential Building Permits

The number of housing units permitted in Norfolk through May rose by 77 units to 393 units from 316 units permitted during the same period last year. At least half of the units permitted to date were due to converting office buildings to apartments. Permits for multi-family structures also drove the growth in prior years: 416 Boush Street and 401 Granby Street apartments (2013), Meadowood Apartments (2011), Wells Fargo apartments (2010), SouthWind Apartments and Belmont at Freemason (2008), and Bristol at Ghent and 388 Boush (2005).

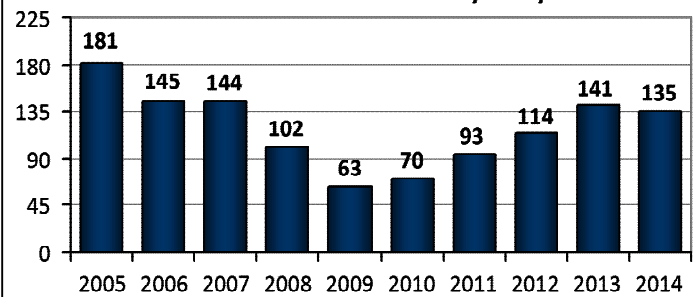
Number of Housing Units Permitted in Norfolk

January - May



Number of New Single-Family Dwellings

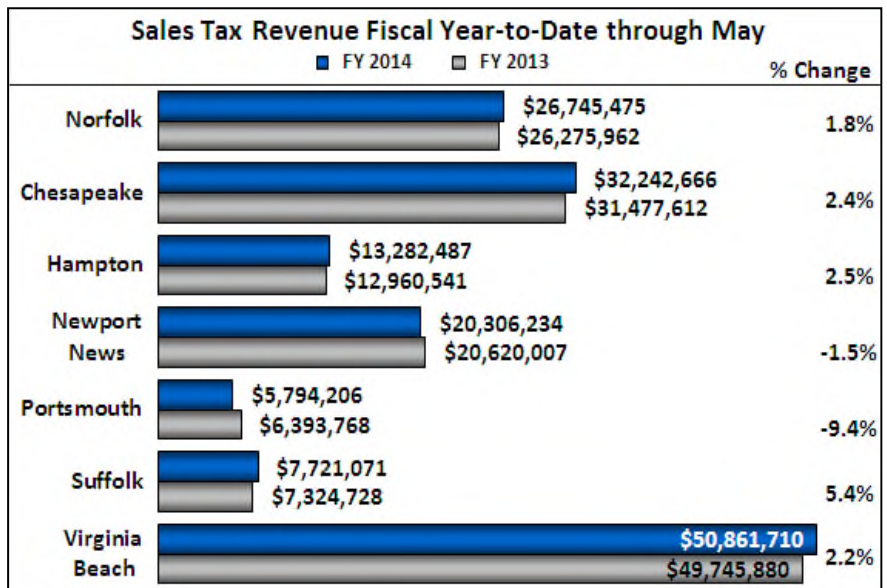
Permitted in Norfolk: January - May



Norfolk and Regional Sales Tax

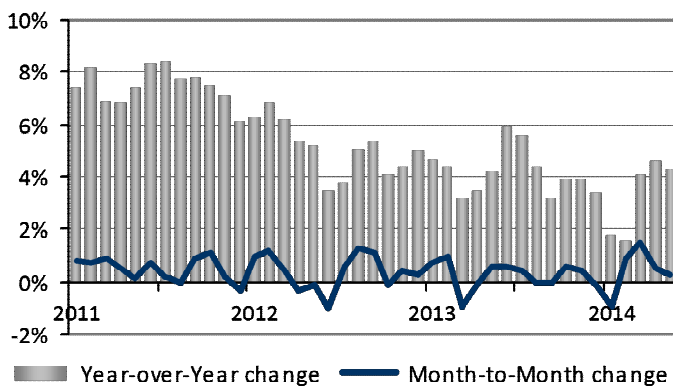
The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in May totaled about \$2.47 million, which was up 2.4 percent (about \$57,400) from last year. Among the other seven major cities, sales tax collections increased in: Chesapeake (5.4 percent), Hampton (6.3 percent), Suffolk (8.4 percent), and Virginia Beach (5.3 percent). Newport News and Portsmouth had a decline of 1.8 percent and 14 percent, respectively.

Fiscal year-to-date through May, Norfolk sales taxes were up 1.8 percent (about \$470,000). However, adjusting for the correction of an overpayment by TAX last year, Norfolk sales taxes were down 1.5 percent. Sales tax collections through May rose in all the other major cities in the region, except Newport News and Portsmouth where they were down 1.5 percent and 9.4 percent, respectively. The fiscal year-to-date increase among the seven major cities in the region ranged from 1.8 percent (Norfolk) to 5.4 percent (Suffolk).



National Retail and Food Service Sales

Percent Change in National Retail and Food Service Sales
(seasonally adjusted but not adjusted for price changes)



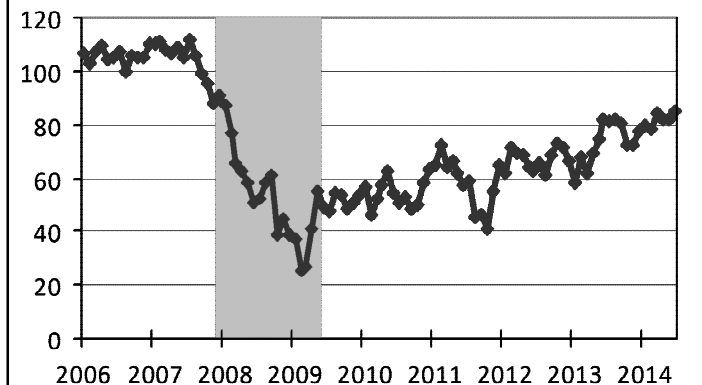
The U.S. Census Bureau reported national retail and food services sales in May were up 0.3 percent (preliminary) from the previous month (April 2014) for the fourth consecutive month, but was the smallest monthly increase. The monthly increase was largely from motor vehicles and parts dealers, building material/garden equipment and supplies dealers, nonstore retailers (which include internet and mail order sellers), gas stations, and miscellaneous store retailers.

Compared to last year (May 2013), retail and food service sales rose 4.3 percent (preliminary) and have risen year-over-year since November 2009. Nearly all the increase came from motor vehicles and parts dealers, nonstore retailers, restaurants and bars, building material/garden equipment and supplies dealers, health and personal care stores, and food and beverage stores. However, the increase was broad based and among the major business categories, only department stores and sporting goods/hobby/book/music stores had a decline in retail sales.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

Consumer Confidence Index

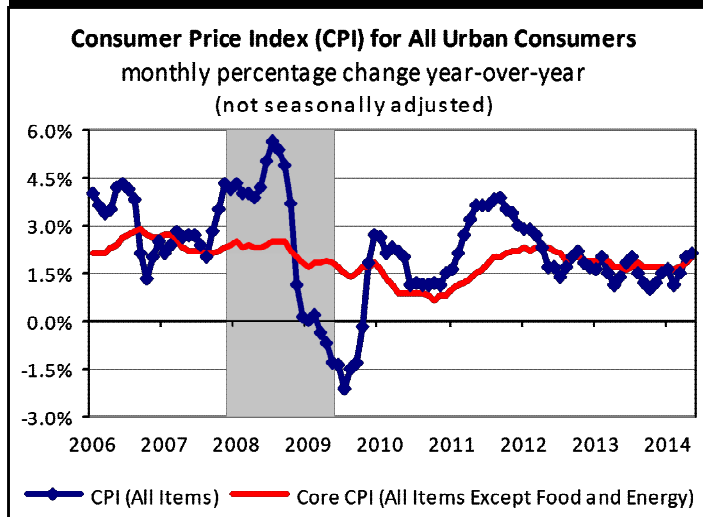
Consumer Confidence Index



The Conference Board reported the Consumer Confidence Index continued to improve in June, rising from 82.2 in May to 85.2, and was now at its highest level since January 2008. Consumer confidence in current and future business and employment conditions both improved in June. The Present Situation Index, which measures consumer confidence in current conditions rose in June to 85.1 from 80.3 in May, while the Expectations Index, which measures consumer confidence in business, employment and family income six months from now, rose moderately to 85.2 from 83.5 in May.

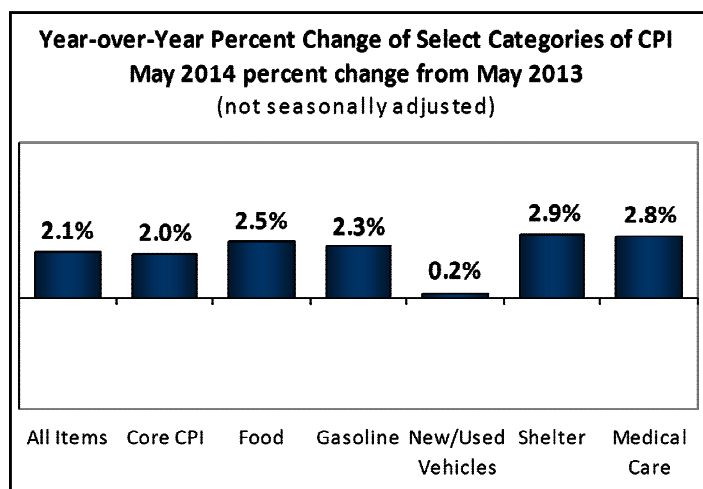
Lynn Franco, Director of Economic Indicators at The Conference Board indicated, "June's increase was driven primarily by improving current conditions, particularly consumers' assessment of business conditions. Expectations regarding the short-term outlook for the economy and jobs were moderately more favorable, while income expectations were a bit mixed. Still, the momentum going forward remains quite positive."

Consumer Price Index



The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers rose 0.4 percent (seasonally adjusted) in May from April. BLS indicated this was the largest monthly increase since February 2013. Food prices also rose in April by 0.5 percent, the largest increase since August 2011. Energy prices rose in April for the second straight month by 0.9 percent, due to rising electricity and gasoline prices. The core CPI, which excludes food and energy, also rose in April by 0.3 percent due to price indexes for medical care, shelter, apparel, new vehicles and transportation services.

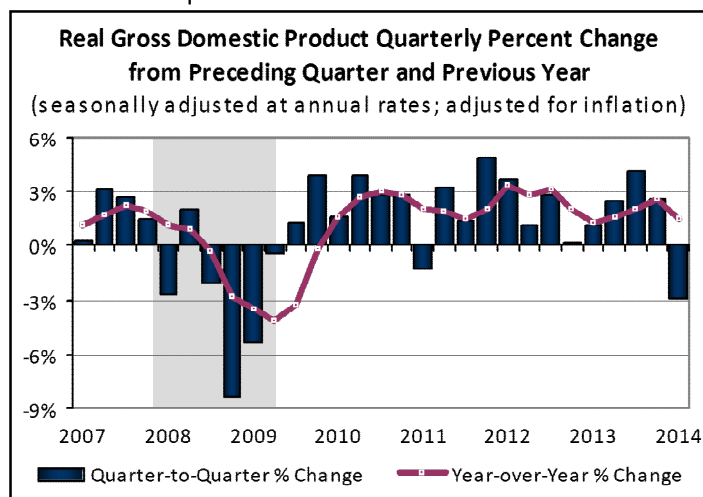
From the previous year, the CPI rose 2.1 percent before seasonal adjustment. BLS noted this was the largest year-over-year increase since October 2012. Among the major expenditure categories, energy prices rose 3.3 percent, with all the major components of the energy index seeing a year-over-year increase. Food prices rose 2.5 percent, the largest year-over-year percentage increase since June 2012. The core CPI which excludes food and energy also rose year-over-year in May by 2.0 percent.



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Shaded areas represent recession as determined by the National Bureau of Economic Research.

Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP declined at an annual rate of 2.9 percent (third estimate) in the first quarter of 2014, after increasing 2.6 percent in the fourth quarter of 2013. The 2.9 percent decline in real GDP was the largest since the first quarter of 2009.



The decline in the first quarter reflected:

- **business inventory** rising by \$45.9 billion, compared to the \$111.7 billion increase in the fourth quarter, dampening real GDP growth by 1.7 percentage points;
- **business investment in equipment** falling 2.8 percent, after rising 10.9 percent in the previous quarter;
- **investment in commercial and residential structures** decreasing 7.7 percent and 4.2 percent, respectively;
- **exports** decreasing by 8.9 percent while **imports**, a subtraction from real GDP, rose 1.8 percent; and
- **state and local government spending** declining by 1.7 percent.

Growth in consumer spending, federal government spending and business investment in intellectual property products offset part of the decline above.

